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2004 Post-Session Newsletter
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Saving ICHIA

A critical new law will help protect high-risk patients

Many people wrangle with the costs and frustrations of health insurance. For those deemed high-risk, the frustration increases as options gradually decrease.

High risk patients suffer from a myriad of chronic diseases including hemophilia, HIV/AIDS, and kidney failure. Survival depends entirely on access to expensive treatments like dialysis, blood transfusions, and transplants. When a person with these health problems loses his or her insurance, the results can be financially devastating.

In 1981, the legislature created the Indiana Comprehensive Health Insurance Association (ICHIA) in order to help serve those individuals that do not qualify for Medicare or Medicaid and cannot receive coverage in the commercial health care market due to their high risk status. The

program serves approximately 9,000 Hoosiers.

Like a typical insurance policy, participants pay premiums in order to help finance the program. However, unlike typical patients, members of the high risk pool's expenses often exceed the amount paid in premiums. To help cover the losses incurred, the state calculates the net loss and then uses a formula based on a variety of factors to recover the loss among over 200 member insurance companies. In return, these companies receive tax credits for their losses, which sometimes amount to millions of dollars.

Recently, the program's financial viability came into question, forcing legislators to tackle the issue in a commission during the interim. Leaders from the insurance industry and legislators collaborated on the

problem and formulated a measure to heal the ailing system.

House Enrolled Act 1273 restructures the program's funding mechanism to ensure long-term solvency. Beginning Jan. 1, 2005, the bill makes insurers responsible for 25 percent of net losses and the state responsible for 75 percent. The bill eliminates the ability of member insurance companies to accumulate additional tax credits. However, beginning in 2007, insurers can claim up to 10 percent of their accumulated credits each year until the credits are fully utilized.

Previously, the state absorbed 100 percent of the loss via tax credits. This plan will provide adequate funding for the program, but not require state spending beyond levels that have been required to pay tax credits. So both the state and member insurance companies benefit from the plan.

ICHIA provides an invaluable service. For some citizens, their survival literally depends on the program's survival. HEA 1273 ensures ICHIA remains a choice for those without options.

2004 Facts & Figures

The Second Regular Session
of the 113th General Assembly
began on Organization Day,
November 18, 2003,
and adjourned March 4, 2004.

This non-budget year is known as
the "short" session.

Senate bills introduced: 503
Senate joint resolutions introduced:
10

Senate bills passed: 18
Senate joint resolutions passed: 0

House bills introduced: 459
House joint resolutions introduced: 7

House bills passed: 80
House joint resolutions passed: 0

Percent of introduced bills that were
sent to the governor: 10%

For more information
about the General Assembly's
2004 session,
visit us online at:
www.in.gov/legislative

Visit my site at:
www.in.gov/S22



State Senator
Ron Alting

Serving District 22 — Tippecanoe County



Property Taxes Remain Priority

The Indiana General Assembly started the 2004 legislative session earlier than usual to address property tax issues. Ordinarily, the legislature convenes for one day on the third Tuesday in November, called Organization Day, in order to meet and do general 'housekeeping' business. This session, legislators conducted committee meetings and held session in November and December to attempt to ease the property tax burden for homeowners, farmers, and employers hit with higher tax bills than expected.

Due to the court-ordered property tax reassessment, some problems have surfaced in a few counties around the state. During several weeks in the fall, members of the Senate Finance Committee met around the state to gather information and evaluate state policy on property taxes. The result of the "mini-session," Senate Enrolled Act 1, includes many of the good ideas citizens offered to help address the problems.

What Senate Enrolled Act 1 Does:

- Allows counties to waive penalties assessed for late payment of property taxes
- Allows taxpayers to pay their property taxes in installments
- Extends the filing deadline for existing property tax deductions and exemptions
- Requires approval from elected officials of significant property tax increases by non-elected boards, such as libraries.
- Streamlines the property tax appeal process to make it easier for taxpayers
- Requires assessors to use most favorable assessment method for rental properties
- Repeals local governments' ability to raise and spend excess levies and requires any excess funds to be used to reduce future levies

Restored Property Tax Relief

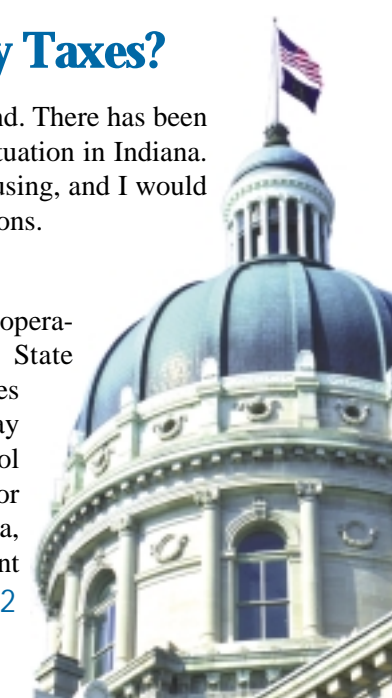
Property taxes are very complex compared to other ways government programs and services are financed and the debate continued when session reconvened in January. House Enrolled Act 1001 was

— see PROPERTY TAX, page 2

Why Do We Have Property Taxes?

The property tax is the most difficult tax to comprehend. There has been a lot of talk in the media lately about the property tax situation in Indiana. Some of the issues regarding property taxes can be confusing, and I would like to help clarify some of your frequently-asked questions.

Property taxes fund the majority of local government operations. According to the National Conference of State Legislatures, local government relies upon property taxes for almost 90 percent of its tax revenue. These taxes pay for a variety of services, including teachers' salaries, school buildings, parks, police and fire protection, libraries, poor relief and other municipal and school functions. In Indiana, state government receives less than one tenth of a percent of all property taxes collected. — see WHY, page 2



WHY

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Some citizens believe that the property tax is outdated, and unfair to those who have to pay it. Historically, property taxes have funded local governments in the United States since the mid-1800s. Back then, ownership of property was a better indicator of a person's wealth. More property meant more wealth. It was fair to tax a person's land because it was more representative of how much money they earned.

Today, fairness is not so clear. Ownership of property is not always an indication of how much wealth a person has and certainly not indicative of the person's income and ability to pay taxes.

This most recent reassessment evaluated land based upon market value. The Supreme Court ruled that the previous method of reassessment was unfair to homeowners because homes with similar values were assessed differently.

Some citizens have recommended moving toward a system based more on a citizen's ability to pay, such as a higher income and sales tax. No tax is popular, and especially not the

income tax, which has not been well-received by the public in the past when it was proposed. Increasing the sales tax also may create more problems because it is not based on one's ability to pay and hurts lower income people the most. And right now, an increase of two or three pennies on the dollar is not enough to make up the billions needed in order to eliminate the property tax.

One of the reasons that this move toward elimination of the property tax is difficult for governments is that it is a very stable form of revenue. In times of recession, such as the last several years when citizens' income levels were lower, sales and income tax collections decreased and the state has had trouble funding essential government programs and services.

Legislators want to help those with high property tax bills. In the 2002 special session, the legislature raised the sales tax a penny and dedicated all of the money to property tax relief for homeowners. Currently, one third of the state budget goes toward property tax relief, dedicating over \$3.6 billion a year.

We have worked to solve those problems that can be fixed immediately. We'll continue to explore ways to reduce the reliance on property tax and work toward solutions that reflect the concerns of all citizens across Indiana.

PROPERTY TAX

CONTINUED FROM PAGE 1

enacted to clarify and update language in SEA 1. Senators also recognized the need to restore the value of certain targeted property tax deductions to levels prior to the reassessment. SEA 296 updates existing deductions for the elderly, blind or disabled, wartime service disabled, disabled veteran, surviving spouse of a WWI veteran, WWI veteran, residential property rehabilitation, historic property rehabilitation, and residentially distressed area property rehabilitation.

The Debate Continues

We want to be fair and do what's right for Hoosier homeowners, farmers and family businesses. There are no quick and easy solutions. The newly formed Property Tax Replacement Study Commission consisting of legislators, farmers, businessmen, and homeowners will study the elimination of property taxes over the summer and work toward solutions that reflect the concerns of all Indiana taxpayers.

HOUSE ENROLLED ACT 1133 — Requires every child who enters grade 12 to be immunized against hepatitis B. Allows a child whose parent objects to be exempted from the immunization. PASSED. My vote: YES

SENATE BILL 85 — Makes it illegal to have open alcoholic beverage containers in a motor vehicle, regardless of whether or not the driver has been drinking. This law would bring Indiana \$13 million in federal funds. FAILED. My vote: YES

HOUSE ENROLLED ACT 1082 — Requires a review of entries in the Missing Children Clearinghouse within 60 days after the review required by laws governing reports made to the National Crime Information Center (NCIC). PASSED. My vote: YES

WORKING - for - JOBS

In 2003, the Senate passed legislation with significant economic development measures, dubbed the JOBS plan. Economic development is full time work, and we are constantly trying to improve our business climate here in Indiana to help more Hoosiers find jobs.

Despite a \$1 billion state budget deficit, the Senate has continued to seek new ways to foster a more competitive atmosphere for businesses in Indiana.

One critical bill, House Enrolled Act 1365, passed the Senate this session and should provide some new momentum for our economic development efforts. It is a combination of several bills that focus on expanding small business investment, improving research and development and encouraging growth around the state.

Economic Development Provisions in HEA 1365

- Makes several research and investment tax credits permanent.
Economic Importance: Businesses will have confidence to invest in creating innovative new products knowing the credits are stable.
- Adds the Emerging Technology Grant Fund to the 21st Century Research and Technology Fund.
Economic Importance: The Fund will match federal grants for small-sized technology-based businesses to accelerate the commercialization of new discoveries in the life sciences, information technology, advanced manufacturing, or logistics industries.
- Gives tax incentives to businesses who locate new or expanded operations on closed military bases.
Economic Importance: Incentives given to businesses on Grissom Air Force Base, Fort Benjamin Harrison and Crane Naval

Enterprise Zones (EZ) have been a very effective economic revitalization tool in the Lafayette area. Currently, businesses receive inventory tax breaks that create income for local government to pay for downtown revitalization projects. The future of EZs currently is not clear because their income sources will be eliminated soon. In 2002, the legislature eliminated the property tax on inventory to take effect from now until the year 2007. Representative Sheila Klinker authored House Enrolled Act 1438, which I co-sponsored in the Senate, to create an Enterprise Zone Study Commission to study means of assisting EZs in attracting businesses to downtown and disadvantaged areas, and ways of providing alternative funding for Urban Enterprise Associations. In November of this year, the commission will file a report on their findings.



Senator Alting talks with student pages at his desk in the Senate Chamber. The one-day Senate page program begins with orientation, followed by a tour of the Capitol. At 1:30 p.m, daily floor session begins. Pages assist senators with errands, such as delivering messages.

Surface Warfare Center will spark the local economy. New tax incentives are vital due to the elimination of the inventory tax by 2007.

- Improves rules regarding Community Revitalization Enhancement Districts (CREDs).
Economic Importance: CREDs are important economic development tools for the downtown areas of our cities. Expanding and improving CREDs will further these efforts.
- Allows local governments to assess an annual fee to recipients of tax abatements.
Economic Importance: The fee would be used by local economic development boards to help provide more jobs within the area. It would help small rural communities that do not have big budgets for economic development.
- Repeals the sales tax on complimentary hotel rooms.
Economic Importance: Indiana will be more competitive with other states in attracting tourism and convention business.

The provisions mentioned are only several of many economic development bills filed this session. We will continue our effort to provide Indiana with the tools needed to improve our economic climate.

HOUSE ENROLLED ACT 1194 — Opens state records regarding a child who died as a result of abuse, abandonment, or neglect. Requires extensive background checks on all members of a household for temporary and permanent placements. PASSED. My vote: YES

HOUSE ENROLLED ACT 1202 — Requires a school corporation to report to the local health department the percentage of student absences above a threshold determined by the Department of Education. PASSED. My vote: YES

HOUSE ENROLLED ACT 1029 — Provides that a custodial parent may bring an action to recover delinquent child support by intercepting the child support obligor's state income tax refund. PASSED. My vote: YES